

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

PA-03 PRS-01 USIA-12 TAR-02 AGR-20 COA-02 INT-08

RSR-01 /172 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3304

LIMITED OFFICIAL USE TOKYO 4914

E. O. 11652: N/ A

TAGS: EFIN EGEN JA

SUBJ: GOJ DECISION ON CAPITAL LIBERALIZATION

EXPECTED SOON

SUMMARY: LOCAL PRESS AND GOVERNMENT OFFICIALS STATE
DECISIONS ON JAPAN' S NEW CAPITAL LIBERALIZATION POLICY
EXPECTED NEXT WEEK. PRESS SPECULATING ON CONTENTS
BUT GOVERNMENT OFFICIALS UNWILLING CONFIRM PRESS OUTLINE PLAN' S
CONTENTS. END SUMMARY.

1. LOCAL PRESS HAS REPORTED THAT FINAL DECISION AND
RECOMMENDATION BY FOREIGN INVESTMENT DELIBERATION
COUNCIL ON NEW JAPANESE CAPITAL CONTROL LIBERALIZATION
EXPECTED ON APRIL 25 WITH CABINET APPROVAL OF RECOM-
MENDATIONS SCHEDULED FOR APRIL 27. MITI OFFICIAL TBS
CONFIRMED THAT THIS IS CURRENT TARGET BUT WAS UNWILLING
SPECULATE ON WHETHER IT COULD BE MET. IF APPROVED, THIS
WILL BE THE FIFTH CAPITAL LIBERALIZATION UNDERTAKEN BY
GOJ SINCE JUNE 1967.

2. NEW PLAN WILL REPORTEDLY ESTABLISH 100 PERCENT
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FOREIGN OWNERSHIP QUOTE IN PRINCIPLE UNQTE FOR NEW
ENTERPRISES. FOREIGN PURCHASE OF STOCK IN EXISTING

BUSINESSES WILL ALSO BE FULLY LIBERALIZED PROVIDED THAT CONSENT OF JAPANESE FIRM CONCERNED IS OBTAINED. CERTAIN INDUSTRIAL CATEGORIES WILL NOT BE OPENED IMMEDIATELY TO 100 PERCENT FOREIGN OWNERSHIP, BUT REPORTS SAY THAT A TIME FRAME FOR COMPLETE LIBERALIZATION OF SUCH INDUSTRIES WILL BE ESTABLISHED. AS IN PAST THERE WILL BE SECTORS REMAINING CLOSED TO FOREIGN INVESTMENT, SUCH AS AGRICULTURE, FISHERIES, FORESTRY, AND THE LEATHER INDUSTRY.

3. REPORTS INDICATE THAT FOREIGN PARTICIPATION IN COMPUTER MANUFACTURING AND MARKETING WILL BE FULLY LIBERALIZED BY DECEMBER 1975. COMPLETE FOREIGN OWNERSHIP OF RETAIL STORES WITH ELEVEN OR MORE OUTLETS WILL ALSO BE FULLY LIBERALIZED AS SOON AS NECESSARY DOMESTIC ARRANGEMENTS, SUCH AS A REVISION OF DEPARTMENT STORE LAW, ARE COMPLETED. REPORTS ALSO SPECULATE OTHER INDUSTRIAL SECTORS WILL BE EXCLUDED FROM FOREIGN OWNERSHIP OR WILL REMAIN UNDER CURRENT RESTRICTION OF UP TO 50 PERCENT FOREIGN OWNERSHIP. EMBASSY HAS NO INFORMATION AT THIS TIME AS TO WHAT WILL BE INCLUDED IN THESE CATEGORIES.

4. MITI OFFICIALS WHEN QUESTIONED ABOUT NEWS REPORTS OF CONTENT LIBERALIZATION PLAN STATED THAT REPORTS WERE GENERALLY CORRECT, BUT CAUTIONED THAT THEY BE SOMEWHAT OPTIMISTIC REGARDING EXTENT OF APPLICATION OF 100 PERCENT PRINCIPLE. WHEN PRESSED TO EXPAND ON SUCH STATEMENTS OFFICIALS WOULD ONLY SAY THAT FINAL DRAFT OF CAPITAL LIBERALIZATION PLAN WAS STILL UNDER STUDY AND DETAILS THUS NOT YET FULLY DECIDED.

5. COMMENT: IN PAST FEW WEEKS PRIME MINISTER TANAKA HAS HAD SEVERAL WELL PUBLICIZED MEETINGS WITH MITI VICE MINISTER MOROZUMI IN WHICH PRIME MINISTER IS REPORTED TO HAVE INSISTED ON RAPID COMPLETION OF CAPITAL LIBERALIZATION PLAN AND REDUCTION OF NUMBER OF INDUSTRIES WHICH WOULD NOT BE SUBJECT TO 100 PERCENT PRINCIPLE. SUCH MEETINGS SEEN HERE AS MEANS OF STRENGTHENING MOROZUMI'S HAND IN DEALING WITH HIS OWN LIMITED OFFICIAL USE

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BUREAUCRATS IN MITI AND AS LAYING GROUNDWORK FOR RATHER SIGNIFICANT CHANGES. EMBASSY UNABLE MAKE MEANINGFUL ASSESSMENT CURRENT PLAN ON BASIS OF FRAGMENTARY AND UNCONFIRMED INFORMATION NOW AVAILABLE. WE ARE HOWEVER HOPEFUL THAT PLAN SCHEDULED FOR ANNOUNCEMENT NEXT WEEK WILL BE VERY POSITIVE STEP TOWARD SATISFYING U. S. DESIRES RE CAPITAL LIBERALIZATION. EMBASSY VIEW STRENGTHENED BY POSITION TAKEN PUBLICLY AND PRIVATELY

BY MOF MINISTER AICHI SINCE ASSUMING OFFICE THAT HE
PERSONALLY PUSHING FOR FULL LIBERALIZATION IN CONFORMITY
WITH OECD CODE.
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